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YEAR-END REVIEW AND OUTLOOK
National Trends Will Determine if Strong Second Half of 1987 Will Continue

A year ago we hypothesized that a healthier manufacturing sector was needed for the Commonwealth's overall economic performance to improve. Indeed, a reversal in manufacturing's fortunes began to occur around mid-year with an associated pick-up in economic growth. We expected manufacturing jobs to decline, but at a pace considerably less than in previous years which is indeed the scenario which transpired. We also concluded that the bulk of all new jobs would again come in the service-producing industries and that these gains would allow the economy to move ahead at a pace similar to that experienced in 1986. Again, our "qualitative" forecast of a year ago appears to have been quite accurate in this respect. Our forecast of relatively small gains in the number of Pennsylvanians counted as employed and a slowing in construction growth also appear to be on the mark.

At the same time, we felt that nonmanufacturing job levels would show gains similar to those experienced during 1986. Preliminary indications for 1987 show a fair amount of improvement in the job growth picture in these establishments. Similarly, we underestimated the decline in the jobless rate which, at 5.7 percent, was 0.3 percentage points below the 6-7 percent range of our forecast. Exceptionally sluggish growth in the labor force helped pull down the jobless rate. Had the labor force behaved in a more typical fashion, the unemployment picture would have surely been more in line with our expectations.

All in all, **we are quite pleased with our forecast of a year ago.** It appears to have predicted the major trends which transpired over the course of 1987.

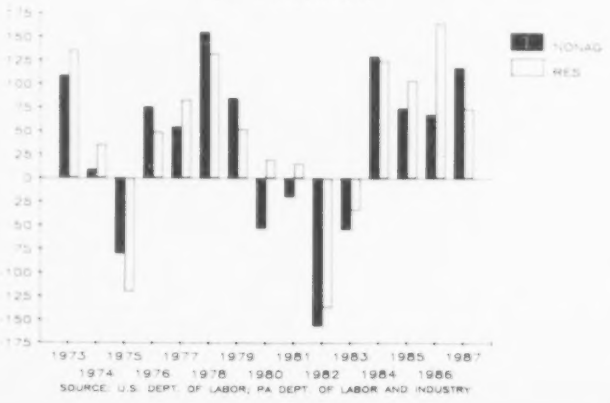
On the surface, the drop in the unemployment rate compares favorably with the 0.8 point drop to 6.2 percent in the nation. However, this hides a sluggish showing with respect to employment and labor force growth. While the number of Pennsylvanians counted as employed rose to 5.32 million, our performance relative to the nation's was not especially encouraging as the 1.4 percent annual gain in the Commonwealth is only about one-half the 2.6 percent gain recorded for the U.S. Likewise, Pennsylvania's labor force also rose, but the 0.1 percent advance pales in comparison to the 1.7 percent national gain. A strong economy usually results in an expanding labor force.

As shown in the accompanying chart, trends in employment growth illustrate the difference between the first and second halves of the year. **Although the second half brought with it very healthy employment growth, when stacked on top of a sluggish first half performance the gain last year, at 74,000, was the weakest showing since 1983.**

Employment growth in the Commonwealth was down 1.7 percentage points last year as growth fell in 13 of the State's 15 metropolitan areas, with the two exceptions coming in the Harrisburg and Sharon regions (see chart). An analysis of metro area trends highlights the dichotomy between the eastern (especially southeastern) and western halves of Pennsylvania. **Metro areas in the southeastern quarter of the State rank near the top in terms of employment growth and each surpasses the growth rate realized in Pennsylvania.**

The State's unemployment rate was at its lowest level since 1974 and employment and the labor force, despite questionable growth performances, stood at record highs. Still, we conclude that the overall employment/unemployment/labor force situation in 1987 was not especially encouraging in Pennsylvania.

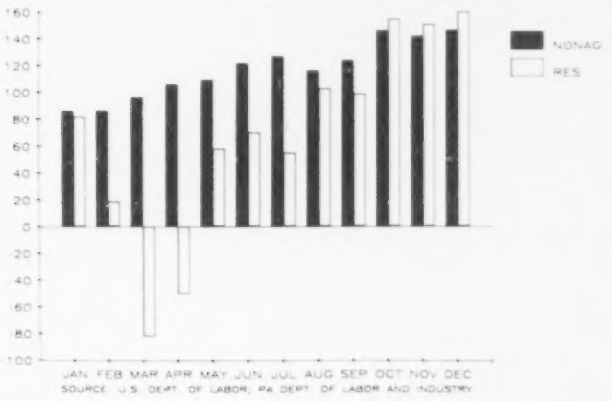
PA NONAGRICULTURAL JOB AND RESIDENT EMPLOYMENT GROWTH
(in thousands)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY

MONTHLY CHANGES IN PA NONAGRICULTURAL JOBS AND RESIDENT EMPLOYMENT, 1987

(in thousands; change from year-ago month)



SOURCE: U.S. DEPT. OF LABOR; PA DEPT. OF LABOR AND INDUSTRY

However, **the situation appears much brighter when a second group of indicators, nonagricultural job levels, is used to gauge trends.** Like the situation for resident employment, a record number of nonagricutural positions were maintained last year, 4.92 million. But unlike the resident employment situation, our optimism is not tempered by a questionable performance with respect to growth. The 2.4 percent advance recorded in 1987 is essentially identical to the 2.5 percent gain for the U.S. and is the second largest increase in a decade, trailing only the results turned in during 1984. The second half of 1987 was clearly better than in the first six months of the year, although this conclusion is not as apparent as that found when the resident employment data are used. Also, the improvement in the nonagricultural job growth picture was evident in 13 of the 15 metropolitan areas as the percentage increase in jobs picked up from the 1986

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987		1986	1987		1986	1987		1986
	Nov.	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*	*Nov.*	*Dec.*	*Dec.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,031*	5,034	4,887	4,976*	4,990	4,836	109.0	109.3	105.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,981*	3,985	3,841	3,932	3,944	3,801	122.0	122.3	117.9
Mining	32	31	32	32	32	33	65.8	66.4	68.9
Contract construction	237	226	207	228	229	210	123.8	124.5	114.3
Transportation	143	143	142	139*	139	139	86.3*	86.6	86.4
Public Utilities	106	106	102	106*	106	102	104.9*	105.2	101.3
Wholesale trade	279	280	265	278	278	264	125.2*	125.5	119.1
Retail trade	900*	916	881	879*	882	848	122.5*	123.0	118.2
Finance, insurance & real estate	288	288	282	289	289	283	132.8*	132.9	130.2
Service & miscellaneous	1,295*	1,297	1,241	1,291*	1,297	1,242	149.7*	150.4	144.0
Federal government	142*	144	138	142	144	139	111.1*	112.4	108.2
State & local government	561	556	549	549	547	541	94.3*	93.9	92.8
Manufacturing									
No. of wage and salary jobs (thous.)	1,047*	1,047	1,036	1,044*	1,047	1,036	77.8*	78.0	77.2
Durable goods	597*	597	585	597*	596	585	73.7*	73.7	72.2
Nondurable goods	450	450	451	447	450	451	84.0*	84.5	84.7
Ave. wkly. hrs. worked by prod. workers	41.5*	41.8	41.2	41.1*	41.3	40.8	104.0*	104.6	103.2
Total wkly. person-hours worked (mils.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total wkly. payroll (mil. dols.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Steel production (thous. tons)	1,102	1,068	506	n.a.	n.a.	n.a.	57.6	62.0	29.3
Industrial electric power sales (mil. kwh)	3,730	3,720	3,404	3,814	3,831	3,499	103.3	103.7	94.7
Mining									
Anthracite coal (thous. net tons)	331	310	378	311	292	356	63.6	59.8	72.8
Bituminous coal (thous. net tons)	5,183	n.a.	4,073†	5,927	n.a.	4,777†	84.0	n.a.	67.7†
Construction contracts awarded (mil. dols.)									
Total	752.5	817.1	554.1*	834.2	965.5	660.7*	259.3	300.1	205.4*
Residential building	288.1	306.2	241.8*	359.5	384.0	316.3*	255.4	272.8	224.7*
Nonresidential building	282.6	419.2	155.3*	265.3	472.3	177.0*	244.5	435.3	163.1*
Nonbuilding (utilities and public works)	181.8	91.6	149.4*	209.4	109.2	167.4*	288.9	150.7	230.9*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,417	5,451	5,220	5,376	5,467	5,236	111.9	113.8	109.0
Unemployed									
No. of persons (thous.)	299	293	258	315	329	293	78.5	82.0	73.1
Rate (percentage of labor force)	5.2	5.1	4.7						
Rate, seasonally adjusted				5.5	5.7	5.4			
Civilian labor force, no. of persons (thous.)	5,716	5,744	5,479	5,691	5,796	5,529	109.3	111.3	106.2
Initial claims for unemployment benefits	85,736	133,414	155,335	85,051	92,021	103,474	59.4	64.3	72.3

Consumer Prices, all items	Urban Indexes (1967 = 100) 1987		1986	Percentage Change	
	Nov.	*Dec.*	*Dec.*	*Month Ago*	*Year Ago*
U.S. city average	345.8	345.7	331.1	0.0	+4.4
Philadelphia	342.6	343.5	325.2	+0.3	+5.6
Pittsburgh	n.a.	344.9	333.0	n.a.	+3.6

[1] Total includes workers on strike. * = figure revised † = figure for November 1986 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

advance.

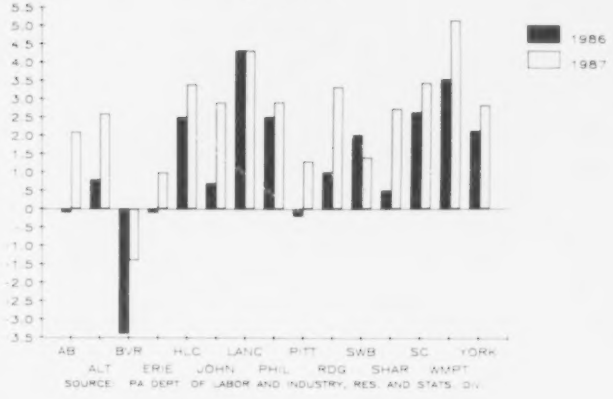
Although jobs fell from year-ago readings, **the news coming from the Commonwealth's manufacturing establishments has been encouraging.** There were just under 1.04 million jobs in the manufacturing sector last year, down from 1.05 million in 1986. This 1 percent drop is the smallest decline so far this decade as jobs have been lost on a continuous basis except for a slight gain in 1984. As shown in the accompanying chart, these losses have been declining since 1986. In fact, 1987's fourth quarter saw the first annual gain in these jobs since 1984:IIIQ. On the down side, the Commonwealth's performance failed to live up to national standards where manufacturing jobs rose 0.6 percent.

On the nonmanufacturing side, jobs grew 3.5 percent or by 132,000 last year following a gain of 2.9 percent in 1986 as job levels rose to another record high of 3.88 million. Even more impressive is the fact that job gains in these industries outpaced the nation's advance for the first time in more than a decade. Close to 120,000 of these jobs were created in the service-producing industries as there were a record number of positions in the trade, finance, and services industries.

Our gut reaction is that 1987 was at least an average year in terms of job and employment opportunities and it can also be argued that it was somewhat above average. However, our optimism is tempered when long-term trends are analyzed. Pennsylvania's performance in terms of job and employment growth over the course of the current business cycle, which peaked in 1979 and bottomed out in 1982/1983, leaves considerable room for improvement, especially relative to the nation's performance. This is illustrated in the accompanying chart which shows that Pennsylvania nonagricultural job growth in both the manufacturing and nonmanufacturing sectors has lagged behind the nation over the long-term and that it will likely take several years to make up the lost ground.

Construction activity was mixed. In two categories, residential and nonbuilding projects, the growth in contract values slowed considerably (from 21.6 percent in 1986 to 5.7 percent on the residential side and from 32.8 to 6.3 percent with respect to nonbuilding projects). The drop in residential activity was certainly expected. However, nonresidential activity turned in a surprisingly strong performance as contracts grew 48.9 percent in value following an 11.4

CHANGE IN METRO AREA NONAGRICULTURAL JOBS, 1986 AND 1987
(percent)



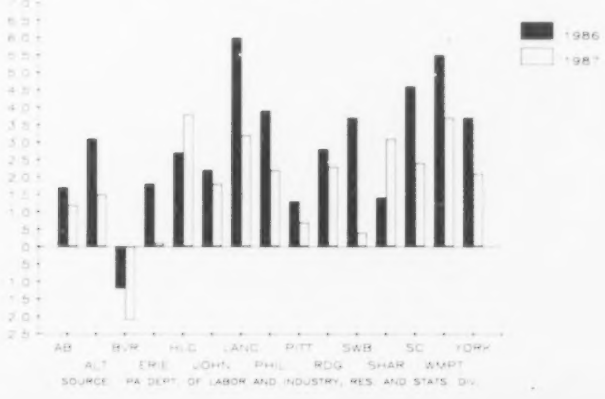
SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

percent gain a year ago. The number of construction jobs rose to a record high of 222,000 in 1987, up nearly 10 percent on an annual basis. Most importantly, **the Commonwealth turned in a stronger performance on the construction front than the nation and, surprisingly, has outpaced the U.S. over the course of the business cycle.**

For the most part, we feel that there is reason to be encouraged by the performance of Pennsylvania's economy in 1987. The firming in manufacturing's fortunes and a strong second half of the year both suggest a promising outlook. Should the nation's economy expand at a 2-3 percent rate, it is quite likely that this performance should continue through 1988. However, the consensus is that the U.S. economy will struggle to even reach the lower end of this range, implying a considerable reduction in growth. A consensus has arisen calling for the national economy to slow, but it will probably remain recession-free, at least in 1988. An improving performance in the export sector is expected to offset a retrenchment on the part of consumers, enabling the economy to expand at a less-than-blistering pace.

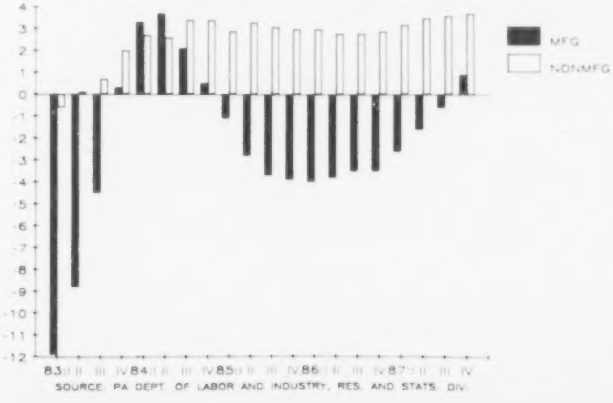
What does all of this mean for Pennsylvania? **It is certainly logical to expect some slowing in economic growth in the Commonwealth as growth slows nationally.** But for once, there is the possibility that Pennsylvania, because of its economic structure, may be able to outperform the U.S. **The Commonwealth is still more dependent on the manufacturing sector for jobs and income than is the nation**

CHANGE IN METRO AREA RESIDENT EMPLOYMENT, 1986 AND 1987
(percent)



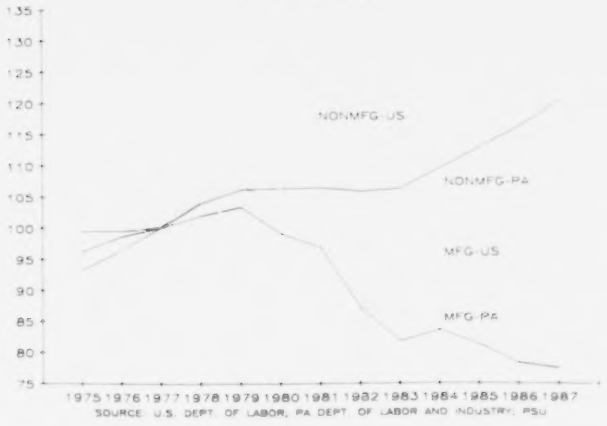
SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

PA MANUFACTURING AND NONMANUFACTURING JOB GROWTH
(percent change from year-ago quarter)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY, RES. AND STATS. DIV.

PA AND U.S. NONAGRICULTURAL JOBS
(1977=100)



SOURCE: U.S. DEPT. OF LABOR, PA DEPT. OF LABOR AND INDUSTRY, PSU

as a whole. Because of this, we may be able to realize more than our fair share of increased economic activity in the coming months as growth shifts from the consumer to the factory. In other words, we could improve our standing relative to the U.S. Even if this were to occur, our advantage over the U.S. will, in all likelihood, be marginal and it will leave considerable ground to be made up. Furthermore, such a scenario is also unlikely to put a *considerable* dent in some of our more severe problem areas such as those revolving around our hard-core unemployed and the distressed nature of some of our communities.

Despite the consensus for further growth in the nation, the possibility of a recession should not be ignored. Should the economy slip into a recession, the Commonwealth will surely feel the effects. A sizeable minority feel that this will occur and they point to the recent inventory buildup as a signal of an impending drop in production, which, along with a cautious consumer, would spell difficult times ahead for the U.S. economy and for Pennsylvania.

Because of the uncertainty at the national level, we make this year's forecast with a little less confidence than our

Annual Review of Major Economic Indicators — Pennsylvania and the United States

	Pennsylvania					United States		
	Mo. Ave.		Pct. change from			Pct. change from		
	1987	1986	1986	82/83 ave	1979	1986	82/83 ave	1979
No. of wage and salary jobs (thous.)								
All nonfarm industries	4,918	4,801	2.4	7.9	2.1	2.5	13.6	13.7
Manufacturing	1,039	1,049	-1.0	-8.3	-25.1	0.6	2.7	-9.2
Durable goods	590	597	-1.2	-9.8	-30.9	-0.1	3.2	-12.0
Primary metals	90	91	-1.1	-31.6	-55.9	-0.3	-14.4	-40.1
Nondurable goods	449	452	-0.7	-6.4	-15.8	1.5	2.0	-4.9
Nonmanufacturing	3,877	3,745	3.5	13.4	13.4	2.9	16.4	20.7
Mining	31	34	-8.8	-27.1	-40.4	-5.2	-28.7	-22.5
Construction	222	202	9.9	32.9	8.8	2.6	28.2	12.7
Service-producing industries	3,626	3,509	3.3	13.0	14.6	3.1	16.5	21.9
Transportation and public utilities	243	240	1.3	-0.4	-11.0	2.5	7.2	4.7
Wholesale trade	272	260	4.6	13.1	13.8	1.1	9.9	11.4
Retail trade	867	835	3.8	16.2	15.1	2.3	18.6	21.8
Finance, insurance, and real estate	287	277	3.6	18.8	22.6	4.6	21.9	32.4
Services and miscellaneous	1,271	1,218	4.4	20.0	34.6	4.5	24.6	41.0
Federal government	141	139	1.4	6.0	7.6	1.5	6.8	6.1
State and local government	543	541	0.4	-0.5	-8.0	2.2	7.8	7.2
Ave. wkly. hours worked by production workers								
All manufacturing industries	40.9	40.2	1.7	5.4	2.5	0.7	3.8	2.0
Durable goods	41.9	41.1	1.9	5.5	1.7	0.7	4.0	2.0
Primary metals	42.5	40.8	4.2	10.8	2.4	2.9	9.0	4.1
Nondurable goods	39.7	39.1	1.5	5.4	4.7	0.8	3.3	2.3
Total factory person-hours worked (mils.)	n.a.	n.a.						
Total factory payrolls (mil. dols.)	n.a.	n.a.						
Steel production (thous. tons)	972	791	22.9	-2.4	-58.7	8.4	11.2	-35.1
Industrial electric power sales (mil. kwh)	3,633	3,453	5.2	8.5	-8.1	3.6	11.4	0.6
Mining								
Anthracite coal (thous. net tons)[1]	348	358	-2.8	-3.7	-13.6			
Bituminous coal (thous. net tons)	4,928	4,782	3.1	-15.8	-33.7	3.0	13.3	17.6
Construction contracts awarded								
Total, current dollars (mils.)	840.6	705.3	19.2	113.7	118.1	2.4	45.6	51.2
Residential building	328.7	310.9	5.7	110.0	95.9	-2.4	57.0	60.8
Nonresidential building	323.5	217.2	48.9	121.4	138.7	6.8	46.7	78.1
Nonbuilding (utilities and public works)	188.4	177.3	6.3	107.5	129.2	8.0	20.6	3.8
Total, constant 1982 dollars (mils.)[2]	734.1	630.9	16.4	89.1	54.1	0.0	29.0	6.8
Residential building	287.1	278.1	3.2	86.2	38.4	-4.7	39.3	13.6
Nonresidential building	282.5	194.3	45.4	95.8	68.7	4.3	29.8	25.8
Nonbuilding	164.5	158.6	3.7	83.2	61.9	5.5	6.7	-26.7
Employed, no. of persons (thous.)	5,322	5,248	1.4	9.2	6.7	2.6	12.2	13.8
Unemployed								
No. of persons (thous.)	319	386	-17.4	-48.9	-14.0	-9.9	-30.6	21.0
Rate (percentage of labor force)	5.7	6.8						
Civilian labor force, no. of persons (thous.)	5,641	5,634	0.1	2.6	5.2	1.7	8.1	14.2
Initial claims for unemployment benefits (thous.)	91	111	-18.0	-47.4	-36.8			
Consumer Price Index for All Urban Consumers, all items (1967 = 100)								
U.S. city average						3.7	15.9	56.6
Philadelphia	337.6	322.0	4.8	19.3	58.1			
Pittsburgh	340.5	330.2	3.1	14.2	56.7			

NOTES: All data are preliminary and are subject to revision.
[1]Pennsylvania is the only state mining Anthracite coal.
[2]Deflated by an estimated annual average of the U.S. Department of Commerce Monthly Composite Construction Cost Index.

forecast of a year ago. Some of our concern is based on the recent behavior of the leading indicators at both the State and national levels. Nationally, the index has declined three consecutive months while the Pennsylvania index closed out the year with two straight declines. We make our forecast under the assumption that economic growth will slow in the U.S. but that activity will still be driven forward by an improving manufacturing sector in response to increased export activity.

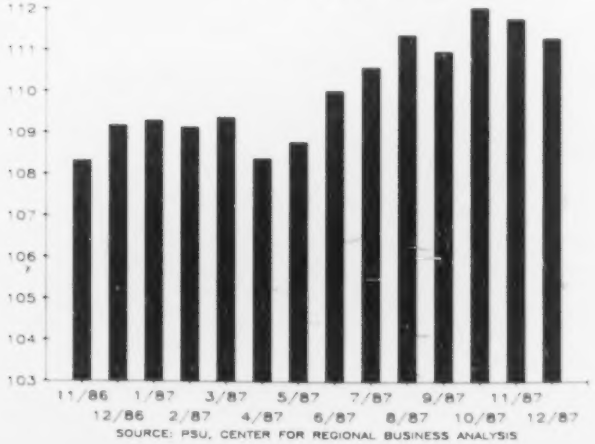
Specifically, we look for the following economic developments to occur in 1988 in the Commonwealth:

- **In general terms, because of a slowdown in the nation's economy, growth will probably decline somewhat in Pennsylvania.** At best, we foresee growth at about the same pace as in 1987. It is quite unlikely that growth will accelerate. On a brighter note, we feel that the Commonwealth has a golden opportunity to finally make up some of the ground it lost earlier to the U.S., even if it is only a small portion. However, because of the general uncertainty surrounding the outlook, it would not be at all surprising if the State continues to trail the nation in terms of growth.
- Resident **employment will continue to expand** but the gains will not be strong enough to result in a decline in the jobless rate along the lines of last year's 1.1 percentage point drop. **Look for the unemployment rate to hold fairly steady in the 5.5-6 percent range. A stronger showing on the labor force front should also limit the decline in the jobless rate.** Employment will rise to a record high with the first half of the year looking very positive relative to some rather sluggish results from a year ago.
- On the nonagricultural job front, **the service-producing industries will again lead the way in terms of job generation, but they will get a bit of help from manufacturing** where job levels are expected to drift slightly upward. The improvement in manufacturing job levels will not be an adequate reflection of the true health of the sector as their gains will be limited by cost-cutting efforts and productivity improvements.

Still, it is best not to lose sight of the fact that room remains for improvement, especially in light of the battering the economy took earlier in the decade. Most importantly, the U.S. economy must avoid a recession for our relatively optimistic forecast to pan out. Should growth turn negative nationwide, it is quite unlikely that, come next February, we will have much good news to talk about.

William D. Anderson

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Around the State

Northeastern Quarter

Allentown-Bethlehem

Economic conditions in the four-county Allentown-Bethlehem region continued to improve in 1987 but when measured against State and national trends the region appears to be lagging, at least with respect to job and employment gains. For instance, the 1.2 percent gain in resident employment last year was surpassed by ten of the Commonwealth's 15 metro areas. Likewise, the 2.1 percent advance in the number of nonfarm jobs falls below the State's 2.4 percent.

Despite this mixed performance, another employment record was set in the region during 1987 as 299,300 residents held jobs, the third consecutive year in which a record has been set. Partially as a result of this gain, the unemployment rate dropped from 7.4 to 4.6 percent, the largest decline among Pennsylvania's metro areas. However, also making a contribution to the drop in the "official" unemployment readings was a sharp drop in the labor force. While employment was up by 3,500 residents from 1986, the number of unemployed fell by about 9,000, translating into a drop of 5,600 in the labor force. Such a drop is certainly not indicative of an economy expanding at a healthy rate. This trend is cause for even more concern in light of the well-publicized inflow of residents relocating from the east.

This inflow, however, appears to have had a considerable impact on residential construction in the region as the value of contracts awarded rose more than one-fifth. Through the first nine months of the year, approximately 2,423 housing units were authorized for construction compared to 2,069 during the same period in 1986. Contract values for nonresidential buildings were off about 14 percent for the year. The number of jobs in the construction industry totalled 12,300 in 1987, up from 10,900 the previous year.

On the nonagricultural job front, 269,200 positions were maintained in the region's establishments in 1987 which also represents another record and translates into a gain of about 5,600 jobs over the course of the year. Nonmanufacturing's performance was especially impressive as job levels increased at a 4.7 percent annual pace to settle at 192,800 compared to a 3.5 percent advance throughout the State. The region's two largest nonmanufacturing industries, services and trade, turned in gains of 5.9 and 4.3 percent, respectively as the inflow of new residents almost surely played a role in the growth of these "service-producing" industries.

Although the situation appears to be improving, the news coming from manufacturing continues to be worrisome. All told, job levels in these establishments fell another 3.9 percent in 1987 to a record low 76,300. On a marginally brighter

note, this does represent some improvement over 1986's 9.3 percent plunge. Durable goods industries accounted for the bulk of last year's decline. A 1.9 percent gain in sales of electricity to industry does suggest that recent job losses probably haven't provided a clear picture of production trends in these industries.

It is quite likely that manufacturing job losses will lessen further in 1988, especially on the durable goods side where a high 41.2-hour workweek may bring about some upward pressure on hiring activity. Also playing a positive role this year should be a shift in the source of most of the nation's economic growth from the consumer to the factory. However, any talk of a considerable rebound in manufacturing job levels, at least in our opinion, is much too optimistic. Nonmanufacturing should continue to grow, but in light of an expected national slowing in consumer spending, it is doubtful that the service-producing industries will turn in as strong a performance as in 1987. Should a strong second half of 1987 continue, some solid numbers could be posted, especially in the first few months of the year, but a slowing national economy will probably limit gains as the year rolls on.

Scranton-Wilkes-Barre

Economic activity in the Scranton-Wilkes-Barre metropolitan area realized another year of positive growth in 1987 but questions remain with respect to the region's performance relative to the Commonwealth as a whole. For example, job growth in the region's nonagricultural establishments failed to measure up to Statewide averages for the year. At 1.4 percent, total nonfarm job growth fell one full percentage point below Pennsylvania's growth rate. Furthermore, the region was the only one of the State's 15 metro areas which failed to at least match 1986's nonfarm job growth rate. While nonmanufacturing continued to add positions in the area, the 2.2 percent advance in 1987 does not compare too favorably with the State's 3.5 percent gain. All told 4,600 jobs were created in nonmanufacturing last year with the vast majority coming in service-producing establishments.

The region's construction industry saw the number of jobs on payroll rise from 11,100 in 1986 to 11,400 in 1987. Additional evidence of solid growth in construction activity is found in the gains in contracts awarded which rose 8 percent for residential projects and 39 percent on the nonresidential side.

Manufacturing jobs fell 1.5 percent or by 1,100 following a 1.8 percent drop in 1986. In Pennsylvania as a whole, a

Allentown-Bethlehem Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	304.9	111	111	108
Unemployed, no. of residents	13.0	71	67	86
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	317.9	108	108	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	273.4	106	106	104
Nonmfg. only, no. of jobs	197.5	132	131	126
Mfg. only, no. of jobs	75.6	70	71	72
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	105	104	102
Industrial electric power sales				
Metropolitan area	***	112	111	107
Allentown	***	102	102	97
Bethlehem	***	120	117	116
Easton	***	111	111	104
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	367.3	+ 22		
Nonresidential contracts only	149.6	– 14		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	325.3	114	112	111
Lackawanna County[2]	100.3	110	109	108
Luzerne County[3]	146.0	109	108	106
Unemployed, no. of residents				
Metropolitan area	21.6	74	71	77
Rate, seasonally adjusted	6.7			
Lackawanna County[2]	5.8	68	63	72
Luzerne County[3]	11.4	76	74	82
Civilian labor force, no. of residents				
Metropolitan area	346.9	110	108	108
Lackawanna County[2]	106.1	106	104	104
Luzerne County[3]	157.4	105	104	104
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	290.6	111	109	109
Nonmfg. only, no. of jobs	219.1	122	120	119
Mfg. only, no. of jobs	71.5	86	86	87
Hrs. worked by production workers in mfg., *ave. weekly*	39.0	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	114	113	108
Lackawanna County[2]	***	123	126	121
Luzerne County[3]	***	100	100	96
Hazleton	***	94	94	89
Wilkes-Barre	***	104	103	99
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	255.3	+ 8		
Nonresidential contracts only	157.8	+ 39		

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

1986-1987 labor force, employment, and unemployment changes for the 15 PA metropolitan areas (in thousands)

	Labor force	Employment	Unemployment
AB	– 5.6	3.5	– 9.1
ALT	– 0.2	0.8	– 1.1
BVR	– 2.6	– 1.2	– 1.4
ERIE	– 1.2	0.1	– 1.2
HLC	6.8	10.9	– 4.1
JOHN	– 0.6	1.5	– 2.1
LANC	5.1	6.5	– 1.4
PHIL	36.0	49.6	– 13.7
PITT	– 2.8	6.5	– 9.3
RDG	0.5	3.7	– 3.3
SWB	– 4.0	1.2	– 5.2
SHAR	0.7	1.4	– 0.6
SC	0.8	1.3	– 0.5
WMPT	1.1	1.9	– 0.8
YORK	1.3	4.1	– 2.9

Source: PA Dept. of Labor and Industry; Res. and Stats. Div.

1 percent decline in factory jobs was turned in during 1987. All told, there were 71,500 factory jobs in 1987, the lowest reading on record. Job losses were confined to the nondurables sector, especially in apparel products where 1,200 jobs were lost. Many other industries appear to be turning in stronger performances. Such a contention is backed up by last year's 3.5 percent gain in industrial power sales which suggests that production is at least holding its own in the region's factories.

The relatively large 1.4 percentage point drop in the jobless rate should not be interpreted too positively. Although 1987's 6.9 percent unemployment rate is the lowest in well over a decade, much of last year's drop is due to a net outflow from the labor force. In fact, while employment rose by 1,200 or 0.4 percent (compared to a 1.4 percent Statewide gain), the number of unemployed dropped by 5,200. The resulting reduction in the labor force is not an especially positive development. Still, the 318,000 residents counted as employed last year does represent a record high.

In all likelihood, 1988 will probably bring with it further modest gains in economic activity in the Scranton-Wilkes-Barre region. Furthermore, manufacturing will probably account for a larger share of new activity than it has the past several years, partially in response to the declining value of the dollar. However, it is important to point out that the region's health is certainly dependent on trends nationwide. Should the nation's economy slump more than expected in 1988, growth will probably diminish considerably in the metro area.

	Allentown-Bethlehem			Altoona			Beaver		
	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	269.2	263.6	2.1	50.5	49.2	2.6	50.5	51.2	-1.4
Manufacturing	76.3	79.4	-3.9	11.0	11.0	0.0	9.8	10.8	-9.3
Durable goods	35.2	37.6	-6.4	4.2	4.3	-2.3	7.6	8.7	-12.6
Nondurable goods	41.1	41.8	-1.7	6.8	6.7	1.5	2.2	2.1	4.8
Nonmanufacturing	192.8	184.2	4.7	39.4	38.3	2.9	40.5	40.1	1.0
Ave. wkly. hours worked by production workers									
Manufacturing	39.5	38.8	1.8	39.3	38.8	1.3	41.6	41.0	1.5
Durable goods	41.2	40.3	2.2	39.1	39.1	0.0	41.6	41.0	1.5
Nondurable goods	38.2	37.6	1.6	39.3	38.6	1.8	41.3	40.9	1.0
Industrial electric power sales index (1977 = 100)	108.7	106.7	1.9	77.2	74.3	3.9			
Employment of Residents									
Employed, no. of persons (thous.)	299.3	295.8	1.2	54.1	53.3	1.5	55.7	56.9	-2.1
Unemployed									
No. of persons (thous.)	14.5	23.5	-38.3	4.3	5.4	-20.4	6.7	8.1	-17.3
Rate (percentage of labor force)	4.6	7.4		7.4	9.2		10.7	12.5	
Civilian labor force, no. of persons (thous.)	313.8	319.4	-1.8	58.4	58.6	-0.3	62.4	65.0	-4.0

NOTE: All 1987 data are preliminary and are subject to revision.
All data are average of monthly figures.

	Erie			Harrisburg-Lebanon-Carlisle			Johnstown		
	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87
Local Industries									
No. of wage and salary jobs (thous.)[1]									
All nonfarm industries	110.6	109.5	1.0	293.4	283.8	3.4	78.1	75.9	2.9
Manufacturing	34.3	35.1	-2.3	51.5	50.6	1.8	12.9	12.5	3.2
Durable goods	23.4	24.5	-4.5	23.4	22.9	2.2	7.4	7.3	1.4
Nondurable goods	10.9	10.6	2.8	28.1	27.7	1.4	5.5	5.3	3.8
Nonmanufacturing	76.0	74.4	2.2	241.8	233.2	3.7	65.1	63.4	2.7
Ave. wkly. hours worked by production workers									
Manufacturing	41.9	41.9	0.0	39.9	39.8	0.3	39.1	37.8	3.4
Durable goods	41.1	40.8	0.7	41.0	40.8	0.5	41.9	39.8	5.3
Nondurable goods	43.7	44.5	-1.8	39.2	39.2	0.0	35.4	34.9	1.4
Industrial electric power sales index (1977 = 100)	108.6	98.5	10.3	83.2	68.8	20.9	169.2	163.5	3.5
Employment of Residents									
Employed, no. of persons (thous.)	117.9	117.8	0.1	299.1	288.2	3.8	86.1	84.6	1.8
Unemployed									
No. of persons (thous.)	9.7	10.9	-11.0	10.2	14.3	-28.7	8.0	10.1	-20.8
Rate (percentage of labor force)	7.6	8.5		3.3	4.7		8.5	10.7	
Civilian labor force, no. of persons (thous.)	127.5	128.7	-0.9	309.3	302.5	2.2	94.1	94.7	-0.6

NOTE: All 1987 data are preliminary and are subject to revision.
All data are average of monthly figures.

Williamsport

The Lycoming County economy continued to turn in strong results in 1987 and most growth indicators remained ranked at or near the top relative to other metro areas around the Commonwealth. The performance turned in by manufacturing was no less than amazing. While factory jobs continued to be lost in Pennsylvania as a whole, the Williamsport metro area realized an exceptional 7.9 percent gain last year, its second consecutive advance. Of these 1,200 new jobs, 900 were created in the durable goods industries with the remainder coming from the nondurable goods side.

Similar good news is found in nonmanufacturing where last year's 4.1 percent advance translates into 1,300 new jobs. This advance compares rather favorably with the Commonwealth's 3.5 percent gain. The 33,300 positions in these establishments represent a record high. The vast majority of last year's job gains came from the service-producing industries where 1,200 jobs were created. As a result of these solid trends on both the goods- and service-producing fronts, Lycoming County's 5.1 percent advance in total nonfarm jobs was the highest among the State's 15 metro areas.

Construction also contributed to 1987's job gains as 100 new positions were added. Additionally, the number of housing units authorized by permit rose during the first nine months of 1987 compared to the same period in 1986. However, the value of nonresidential construction contracts fell 72 percent in 1987 while residential contracts were up only 6 percent in value.

In light of all of this good news, last year's drop in the jobless rate, from 7.1 percent in 1986 to 5.4 percent in 1987,

	Lancaster			Philadelphia			Pittsburgh		
	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	180.0	172.5	4.3	2,160.6	2,099.2	2.9	854.7	843.7	1.3
Manufacturing	59.7	58.7	1.7	379.5	384.0	-1.2	126.5	129.3	-2.2
Durable goods	34.7	34.0	2.1	201.3	204.6	-1.6	90.4	93.7	-3.5
Nondurable goods	25.0	24.7	1.2	178.2	179.4	-0.7	36.1	35.6	1.4
Nonmanufacturing	120.1	113.8	5.5	1,780.8	1,711.6	4.0	727.8	712.6	2.1
Ave. wkly. hours worked by production workers									
Manufacturing	40.4	40.2	0.5	40.7	40.3	1.0	41.7	41.2	1.2
Durable goods	41.4	41.3	0.2	41.7	41.2	1.2	42.2	41.3	2.2
Nondurable goods	39.2	38.9	0.8	39.6	39.2	1.0	40.3	40.7	-1.0
Industrial electric power sales index (1977 = 100)	135.3	129.5	4.5	105.9	101.1	4.7	59.7	58.2	2.6
Employment of Residents									
Employed, no. of persons (thous.)	207.0	200.5	3.2	2,291.4	2,241.8	2.2	883.8	877.3	0.7
Unemployed									
No. of persons (thous.)	5.7	7.1	-19.7	109.5	123.2	-11.1	66.9	76.2	-12.2
Rate (percentage of labor force)	2.7	3.4		4.6	5.2		7.0	8.0	
Civilian labor force, no. of persons (thous.)	212.7	207.6	2.5	2,400.9	2,364.9	1.5	950.7	953.5	-0.3

NOTE: All 1987 data are preliminary and are subject to revision.
All data are average of monthly figures.

	Reading			Scranton-Wilkes-Barre			Sharon		
	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	148.5	143.7	3.3	285.7	281.8	1.4	41.3	40.2	2.7
Manufacturing	48.7	48.2	1.0	71.5	72.6	-1.5	9.3	9.5	-2.1
Durable goods	29.0	28.7	1.0	29.1	29.0	0.3	8.0	8.2	-2.4
Nondurable goods	19.7	19.5	1.0	42.4	43.7	-3.0	1.3	1.3	0.0
Nonmanufacturing	99.7	95.5	4.4	213.7	209.1	2.2	32.0	30.7	4.2
Ave. wkly. hours worked by production workers									
Manufacturing	41.1	40.5	1.5	38.9	38.5	1.0	41.8	40.2	4.0
Durable goods	41.8	41.4	1.0	41.6	41.8	-0.5	42.1	40.6	3.7
Nondurable goods	40.0	39.2	2.0	37.2	36.5	1.9	38.4	37.3	2.9
Industrial electric power sales index (1977 = 100)	134.7	127.6	5.6	110.2	106.5	3.5	105.0	99.9	5.1
Employment of Residents									
Employed, no. of persons (thous.)	162.1	158.4	2.3	318.0	316.8	0.4	46.5	45.1	3.1
Unemployed									
No. of persons (thous.)	7.5	10.8	-30.6	23.4	28.6	-18.2	3.5	4.1	-14.6
Rate (percentage of labor force)	4.4	6.4		6.9	8.3		7.0	8.4	
Civilian labor force, no. of persons (thous.)	169.6	169.1	0.3	341.3	345.3	-1.2	50.0	49.3	1.4

NOTE: All 1987 data are preliminary and are subject to revision.
All data are average of monthly figures.

is not surprising. A solid 3.7 percent gain in resident employment, the second highest in Pennsylvania, contributed a great deal to the drop in joblessness as the number of residents counted as employed rose by 1,900 to a record high of 53,900. A strong 2 percent gain in the labor force is also indicative of a strong and expanding economy.

Although 1988 will, in all likelihood, result in further gains in economic activity, there is a good chance that the strong results turned in during 1987 will not be repeated as growth is expected to slow nationwide. Surprisingly, much of the decline in growth is expected to be realized in nonmanufacturing as consumer spending falls. Manufacturing should continue adding jobs as these industries are expected to turn in a relatively strong performance during 1988.

Southwestern Quarter

Altoona

Blair County continued on a path of modest economic growth last year. Although conditions have improved considerably from the early 1980s, the region, at best, turned in an average performance relative to other communities around the Commonwealth in 1987 and a reduction in growth is likely this year as a more cautious consumer leads to some slowing in economic growth nationwide. Should the goods-producing sector turn in a stronger-than-expected performance, it is possible that economic growth will come in at a pace very similar to 1987's but unless economic conditions nationwide exceed expectations by a fair amount, it is doubtful that economic growth will increase.

The jobless rate fell from 9.2 to 7.4 percent in Blair County last year for its lowest reading since 1977, yet employment expanded at a far from explosive 1.5 percent annual rate. Still, this gain of 800 residents counted as employed pushed this measure of economic activity to a record high 54,100. Much of last year's gain came in the second half of the year.

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '87	*4 Q '87*	*3 Q '87*	*4 Q '86*
Employment *(in thousands)*				
Employed, no. of residents	55.7	118	118	110
Unemployed, no. of residents	2.9	77	66	81
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	58.6	114	113	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.0	109	109	103
Nonmfg. only, no. of jobs	34.2	119	119	115
Mfg. only, no. of jobs	16.8	93	93	85
Hrs. worked by production workers in mfg., *ave. weekly*	42.2	108	106	102
Industrial electric power sales	***	88	85	84
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	22.3	+ 6		
Nonresidential contracts only	11.4	−72		

[1]Lycoming County

During the first six months of the year, employment was up by just 100 over year-ago readings. The final six months of the year found employment up by 1,500.

A steady manufacturing sector allowed total nonfarm jobs to expand at a 2.6 percent clip in 1987 compared to a 2.4 percent gain throughout the State and up from 1986's 0.8 percent advance. Manufacturing job levels held steady at 11,000, making 1987 only the second year this decade in which a decline did not occur. It is certainly possible that job levels may actually rise slightly in 1988 as manufacturing activity expands in response to an increase in export opportunities. Nonmanufacturing job levels were up 2.9 percent to a record high of 39,400. The advance was led by the service-producing industries which added 900 jobs last year. Unfortunately, the expected slowing in consumer activity will probably have a negative impact on the performance of these industries in 1988.

Construction also made a contribution to nonmanufacturing's job gains as the number of workers employed by these

	State College			Williamsport			York		
	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87	1987	1986	Percentage Change 86-87
Local Industries									
No. of wage and salary jobs (thous.)									
All nonfarm industries	52.3	50.6	3.4	49.6	47.2	5.1	168.9	164.3	−2.8
Manufacturing	7.3	7.4	−1.4	16.3	15.1	7.9	58.1	57.8	0.5
Durable goods	5.0	4.8	4.2	10.0	9.1	9.9	35.2	35.6	−1.1
Nondurable goods	2.3	2.6	−11.5	6.3	6.1	3.3	22.9	22.2	3.2
Nonmanufacturing	45.0	43.3	3.9	33.3	32.0	4.1	110.8	106.4	4.1
Ave. wkly. hours worked by production workers									
Manufacturing	39.3	39.1	0.5	41.4	40.0	3.5	42.6	41.5	2.7
Durable goods	40.4	40.0	1.0	42.2	40.4	4.5	43.6	42.4	2.8
Nondurable goods	37.2	37.7	−1.3	40.0	39.4	1.5	41.1	40.2	2.2
Industrial electric power sales index (1977 = 100)	117.5	108.9	7.9	85.6	86.1	−0.6	115.2	110.6	4.2
Employment of Residents									
Employed, no. of persons (thous.)	55.2	53.9	2.4	53.9	52.0	3.7	199.8	195.7	2.1
Unemployed									
No. of persons (thous.)	3.0	3.5	−14.3	3.1	3.9	−20.5	8.1	10.9	−25.7
Rate (percentage of labor force)	5.2	6.0		5.4	7.1		3.9	5.3	
Civilian labor force, no. of persons (thous.)	58.2	57.4	1.4	57.0	55.9	2.0	207.9	206.6	0.6

NOTE: All 1987 data are preliminary and are subject to revision.
All data are average of monthly figures.

Altoona Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	55.3	107	105	102
Unemployed, no. of residents	4.4	118	106	110
Rate, seasonally adjusted	8.0			
Civilian labor force, no. of residents	59.7	106	105	102
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.2	99	99	97
Nonmfg. only, no. of jobs	40.0	104	104	102
Mfg. only, no. of jobs	11.2	84	85	82
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	102	103	102
Industrial electric power sales	***	79	78	72
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	16.4	−12		
Nonresidential contracts only	29.0	+70		

[1]Blair County

industries was up by approximately 200 in 1987. Nonresidential activity, at least based upon the value of contracts awarded, appears to have been especially strong as contract values were up 70 percent to $29 million. The news was not nearly as positive on the residential side as contract values dipped 12 percent and the number of housing units authorized by permit was down from 104 during the first three quarters of 1986 to 80 during the same period in 1987.

Johnstown

Stability in manufacturing enabled the two-county Johnstown region to perform up to par with the State in 1987. Most indications suggest a continuation in the solid performance on the part of most goods-producing industries which should enable the region to turn in a relatively sound performance again in 1988. However, given the fact that the metro area has lagged State and national growth trends over the past decade, it will certainly take a good deal more than two years of slightly encouraging results to make up for all of the ground lost earlier. Furthermore, despite our expectations for a fair showing relative to other regions in 1988, some slowing in growth cannot be ruled out in light of trends expected nationwide.

Johnstown Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	87.2	91	90	88
Unemployed, no. of residents	7.9	80	76	74
Rate, seasonally adjusted	8.9			
Civilian labor force, no. of residents	95.1	90	89	86
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	79.0	90	89	87
Nonmfg. only, no. of jobs	66.1	99	98	96
Mfg. only, no. of jobs	12.9	61	61	60
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	104	100	99
Industrial electric power sales	***	183	164	169
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	37.9	−29		
Nonresidential contracts only	33.2	−41		

[1]Cambria and Somerset Counties

All told, manufacturing job levels increased by a solid 3.2 percent last year, from 12,500 to 12,900, for the second largest advance in the Commonwealth. Job gains were spread across both durable and nondurable goods industries. Along with a 3.5 percent gain in electricity sales to industry, the job picture in the Johnstown region suggests at least a fair showing with respect to manufacturing activity. A relatively low 39.1 hour average factory workweek probably will not limit hiring activity in the future as it is held down by very low workweeks in several apparel industries which have historically lagged readings from most other industries. The 41.9 hour workweek in durable goods industries equals the Statewide average. Still, the number of positions in these establishments have a long way to go to even come close to matching readings from several years ago and it is quite unlikely that they ever will. For instance, fourth quarter job totals were only about 60 percent of their 1977 levels.

Although nonmanufacturing job levels continued to increase, the 2.7 percent 1987 advance failed to match the State's 3.5 percent gain. Still, the 65,100 jobs maintained in these establishments last year represent the highest level since 1980. (Statewide, nonmanufacturing job levels stand at record highs.) One cause of the region's lagging performance relative to the rest of Pennsylvania is certainly the sluggish numbers being turned in by mining. But even in the service-producing industries, the region is failing to live up to Statewide norms. Although the value of contracts awarded and the number of housing units authorized by permit were down from 1986 levels, a gain of 300 construction jobs suggests that activity continues to move ahead at a fairly strong pace.

Employment rose by 1,500 or 1.8 percent last year to 86,100. This compares rather favorably with the 1.4 percent gain recorded by the Commonwealth. Partially as a result of this, the jobless rate dropped from 10.7 to 8.5 percent. However, in that the number of unemployed fell by 2,100, a net outflow from the labor force also made a contribution to the drop in the unelmployment rate. Such a development is not typical of an expanding economy.

Pittsburgh-Beaver Valley

Just as they have been doing since the end of the recession around 1982/1983, economic conditions improved again in the Pittsburgh metro area during 1987. Unfortunately, the year also marked a continuation of a trend finding the region lagging the State with respect to overall economic growth. In Beaver County, on the other hand, one is hard-pressed to find any good news as conditions have continuously deteriorated over the past several years.

Total nonagricultural jobs rose 1.3 percent in the four-county Pittsburgh region in 1987 to 854,700, up 11,000. This falls well short of the State's 2.4 percent advance and still leaves job levels well below readings from the late 1970s and early 1980s. Nonmanufacturing jobs grew by 15,200 while a decline of 2,800 positions was recorded in the region's factories. However, this 2.2 percent decline in manufacturing jobs translates into the second-lowest drop so far this decade and comes on the heels of a 6.8 percent loss in

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	904.0	103	102	100
Beaver County	56.5	66	66	66
Unemployed, no. of residents				
Pittsburgh[1]	62.2	105	105	108
Beaver County	6.7	106	108	105
Unemployment Rate, seas. adj.				
Pittsburgh[1]	6.9			
Beaver County	10.9			
Civilian labor force, no. of residents				
Pittsburgh[1]	966.2	103	102	101
Beaver County	63.2	68	69	69
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	869.1	99	98	97
Beaver County	50.9	67	66	66
Nonmfg. only, no. of jobs				
Pittsburgh[1]	741.1	112	111	110
Beaver County	41.1	107	108	106
Mfg. only, no. of jobs				
Pittsburgh[1]	128.0	58	57	57
Beaver County	9.7	26	25	26
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	42.7	n.a.	n.a.	n.a.
Beaver County	41.8	n.a.	n.a.	n.a.
Industrial electric power sales	***	66	65	54
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	459.5	- 9		
Beaver County	13.4	-37		
Nonresidential contracts only				
Pittsburgh[1]	578.6	- 1		
Beaver County	16.3	-11		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

1986. Nonfarm job levels fell 1.4 percent in Beaver County or by 700 in 1987 as they have declined continuously during the 1980s. Nonmanufacturing payroll jobs rose by just 400 or 1 percent while a 9.3 percent decline was recorded in manufacturing which translates into 1,000 jobs.

The strengthening position of manufacturing at the national level should help these industries in the region during 1988. In fact, it may help the Pittsburgh region turn in an overall performance more in line with State and national trends. Unfortunately, given the drastic manufacturing job losses suffered by establishments in Beaver County in recent years, any such improvement will be minimal.

Joblessness eased in both the Pittsburgh and Beaver County metro areas during 1987. At 7 percent, Pittsburgh's unemployment rate was down a full point from 1986 readings while Beaver County's rate fell from 12.5 to 10.7 percent. However, resident employment growth was far from impressive in both cases. In fact, in Beaver County, employment actually fell by 1,200, implying that the decline in unemployment is solely attributable to a net outflow from the labor force. Similarly, while employment rose by 6,500 or 0.7 percent (one-half the Statewide gain) in the Pittsburgh region, the number of unemployed fell by 9,300 which translates into a decline of 2,800 in the labor force, the fifth consecutive year this has happened. Such a trend is not usually associated with a strong economy.

Construction activity appears to be up in both metro areas as job levels advanced in 1986 and the number of housing units authorized by permit during the first three quarters of the year held fairly steady in Beaver County and rose in the Pittsburgh metro area. However, the value of contracts awarded declined with respect to both residential and nonresidential projects.

It is doubtful that economic activity will change considerably during 1988. The expected improvement in manufacturing will come alongside some slowing in nonmanufacturing as consumer spending slows. Beaver County will, in all likelihood, again trail overall growth trends at the State and national levels. Even if Pittsburgh improves its relative standing in the coming year as a result of a strengthening manufacturing sector, there will still be a great deal of ground to be made up.

State College

Centre County turned in another impressive performance in 1987 in terms of economic growth as the service sector led the way. If expectations for some slowing in national economic growth in 1988 prove to be accurate, it is quite likely that a similar slowing will occur in the State College region. It is sometimes contended that the region, because of its large service economy, is, for the most part, immune to national downturns in the business cycle. While the structure of the region's economy does "soften the landing" to a degree and the county is usually not as adversely impacted by downturns in the nation's economy as the State, it does not prevent ups and downs in the region's economic health. Hence, our expectations are for some slowing in 1988, but not to the same degree as in the Commonwealth as a whole.

Indeed, although impressive numbers were posted in 1987, it may be argued that growth slowed somewhat after a very strong 1986. For example, resident employment expanded at a 2.4 percent annual rate in 1987 compared to the State's 1.4 percent gain. However, this follows a 4.6 percent 1986 advance. The increase, on the other hand, leaves employment at another record high. Much the same is true with respect to labor force growth. Although growth was stronger

State College Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	57.2	133	132	127
Unemployed, no. of residents	3.0	116	118	113
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	60.3	132	132	126
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	54.3	130	128	126
Nonmfg. only, no. of jobs	47.0	133	131	128
Mfg. only, no. of jobs	7.4	116	113	111
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	123	120	114
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	58.3	-33		
Nonresidential contracts only	33.2	-48		

[1]Centre County

than in the Commonwealth, it was down from year-ago readings. Still, the jobless rate fell from 6 percent in 1986 to 5.2 percent last year, its lowest reading during the decade in which comparable data are available.

Much of the credit for the region's impressive performance over the past several years may be given to a rapidly expanding nonmanufacturing sector. All told, there were 45,000 positions in the region's nonmanufacturing sector, a record high, up 3.9 percent or by 1,700 from a year ago. Service-producing industries accounted for about 1,500 of these new jobs. Elsewhere in nonmanufacturing, construction industries added 200 positions. However, the value of construction contracts awarded fell from 1986 levels on both the residential and nonresidential sides. The number of housing units authorized by permit did rise during the first nine months of the year compared to the same period in 1986. Although a significant decline is quite unlikely, some slowing in construction activity is expected in 1988.

As has been the case for the past several years, manufacturing did not fare nearly as well as nonmanufacturing. In fact, 100 more jobs were lost in these establishments in 1987 as job levels settled at 7,300. On the bright side, there were some positive developments toward year-end as the number of positions in the fourth quarter exceeded 1986:IVQ readings by 300. A strong 7.9 percent gain in electricity sales to industry also suggests some firming in factory activity. Manufacturing job levels will probably hold steady or rise slightly in the coming year. All told, total nonfarm jobs grew at a 3.4 percent clip in 1987 compared to a 2.4 percent gain for the entire State.

Northwestern Quarter

Erie

Although the economy certainly remained on a recovery track, the Erie metro area's performance in 1987 leaves a good deal of room for improvement, especially relative to trends elsewhere in the Commonwealth.

Perhaps the best news is found in the construction industry where job levels were up by about 300 compared to 1986 in settling at 3,500. Contract values for construction projects rose 6 percent on the nonresidential side and 18 percent for residential buildings.

Nonagricultural job levels rose to 110,600 in 1987, the highest reading since 1981. (In Pennsylvania as a whole, nonagricultural job levels stood at record highs in 1987.) However, the 1 percent gain, although an improvement over the 0.1 percent decline the previous year, was surpassed by 13 of the State's 15 metropolitan areas. However, there are signals that the huge job losses which have rocked the manufacturing sector in recent years are about to end. Although jobs fell by 2.3 percent for the year, this performance does mark some improvement over 1986's 3.3 percent drop. Also contributing to this optimism is a rather high average factory workweek and an impressive 10.3 percent gain in electricity sales to industry, a reliable indicator of production trends. Still, it is quite unlikely that job levels in these industries will do anything more than hold their own which is not all that bad in light of cost-cutting programs and productivity improvements.

Nearly all new jobs have come in the nonmanufacturing sector, but even here, the 2.2 percent gain recorded last year falls short of the 3.5 percent advance for the entire Commonwealth. Nonetheless, the number of positions in these establishments remained at a record high for the third straight year in rising to 76,000. The region's largest industry, services, turned in a solid performance as jobs grew at a 3.6 percent clip. A gain of 2.1 percent was realized in the number of jobs in the trade industries. It is questionable as to whether these gains will be surpassed, or even repeated, this year in light of the expected slowing in consumer expenditures nationwide.

The rather large drop in the unemployment rate, from 8.5 percent in 1986 to 7.6 percent last year, its lowest reading since 1979, should be interpreted with some caution. Much of the decline in joblessness is directly attributable to a declining labor force. Specifically, while the number of residents counted as employed turned in a minimal gain of 100, the number counted as unemployed droped by approximately 1,200. The resulting outflow from the labor force is not indicative of an especially strong economy.

In all likelihood, the economy will continue to expand during 1988. However, given the sluggishness expected in overall U.S. economic activity, it is quite unlikely that 1987's performance will be improved upon to any significant extent in Erie County. Perhaps the best news that may transpire during the course of the year may be some strengthening in manufacturing's fortunes.

Sharon

Although a good deal of lost ground remains to be made up, there is no denying that 1987 was at least a fair year with respect to economic growth in Mercer County as most indicators suggest that the region performed more on par with Statewide trends than has been the case in recent years. The biggest cause for worry remains manufacturing where another 200 jobs were lost in 1987 for a 2.1 percent decline, more than double the loss throughout the Commonwealth. However, this is the smallest decline in three years and the sec-

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	4 Q '87	*4 Q '87*	*3 Q '87*	*4 Q '86*
Employment *(in thousands)*				
Employed, no. of residents	120.5	107	106	105
Unemployed, no. of residents	9.2	110	107	110
Rate, seasonally adjusted	7.6			
Civilian labor force, no. of residents	129.7	107	106	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	112.6	101	100	100
Nonmfg. only, no. of jobs	78.2	114	112	111
Mfg. only, no. of jobs	34.5	80	80	81
Hrs. worked by production workers in mfg., *ave. weekly*	42.7	103	102	101
Industrial electric power sales	***	116	111	99
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	67.7	+ 18		
Nonresidential contracts only	55.3	+ 6		

[1]Erie County

ond half of 1987 was encouraging with respect to job gains. Our expectations for 1988 call for some improvement in manufacturing in response to national developments. Hence, job levels should hold fairly steady and may even rise slightly. A fairly high average factory workweek should also put some upward pressure on hiring trends in these industries.

The situation was rather impressive on the nonmanufacturing side as job levels rose to a record high 32,000 in 1987, a gain of 4.2 percent or 1,300 positions over 1986 readings. Throughout the State, nonmanufacturing jobs rose 3.5 percent. In light of an expected slowdown in consumer spending, it is quite likely that the growth in nonmanufacturing activity will ease somewhat in the Sharon metro area. Still, barring a recession at the national level, growth should continue in 1988. Building activity also strengthened further last year, especially on the nonresidential side where contract values nearly doubled in settling at $44.5 million. All told, the number of construction jobs, in reaching 1,400, rose by 200 in 1987.

Nonmanufacturing's strength certainly contributed greatly to a solid showing on the employment/unemployment front. The number of Mercer County residents counted as employed rose by 1,400 to 46,500, its highest reading since 1982. This increase enabled the region to absorb a gain in the labor force totaling 700 and reduce the number of unemployed by 600. The end result was a drop in the unemployment rate from 8.4 percent in 1986 to 7 percent in 1987, its lowest reading since 1979.

While 1987 proved to be fairly encouraging with respect to economic activity in the Sharon metro area, longer-term trends suggest that problems remain. For instance, while resident employment is at a record high in the Commonwealth as a whole, Mercer County employment still remains below pre-recessionary readings and the gains recorded since the end of the recessions are considerably smaller in the Sharon area relative to the State. Much the same is true with respect to nonagricultural job growth.

Sharon Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	48.0	99	98	92
Unemployed, no. of residents	3.0	84	89	99
Rate, seasonally adjusted	6.5			
Civilian labor force, no. of residents	51.0	98	97	93
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	42.5	93	92	89
Nonmfg. only, no. of jobs	32.9	112	111	107
Mfg. only, no. of jobs	9.6	59	58	55
Hrs. worked by production workers in mfg., *ave. weekly*	42.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	104	110	104
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	8.7	-51		
Nonresidential contracts only	44.5	+97		

[1]Mercer County

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The news was good on all fronts in the four-county Harrisburg-Lebanon-Carlisle region during 1987. Solid gains in jobs, employment and construction activity solidified the region's standing as having one of the, if not the, strongest economies in the Commonwealth. One obstacle to continued healthy growth is what happens nationally. Should the nation's economy slow as expected, the region should hold up fairly well with only a slight drop in growth. However, should the nation's expected slump turn into a recession, then the region will certainly feel the impact. Another obstacle appears to be a developing labor shortage as there are worries of a mismatch between available jobs and the number of individuals looking for work.

All industry sectors took part in last year's solid showing. Manufacturing jobs grew 1.8 percent or by 900 to 51,500 for the second-best showing this decade. Still, job levels are down from readings maintained during the 1970s into the early 1980s. Both durable and nondurable goods industries realized gains last year. The region's largest manufacturing industry, food products, accounted for about 200 of these new jobs. In response to the apparent gains in manufacturing activity, electricity sales to industry surged by more than one-fifth in 1987.

An even stronger performance was turned in by the area's nonmanufacturers where the 241,800 positions maintained in 1987 represent a gain of 3.7 percent from the previous year compared to the State's 3.5 percent gain. The number of jos in these establishments have risen essentially nonstop for several years running and set new records on nearly an annual basis. The end result of the behavior in both the manufacturing and nonmanufacturing sectors in 1987 was a 3.4 percent rise in total nonfarm jobs, the third strongest gain among the 15 metro areas in the Commonwealth.

Construction also played a major role in the economy's overall gains as contract values nearly doubled on the nonresidential side in 1987 while residential values held fairly steady. In terms of jobs, the 11,900 positions in the construction industry in the four-county region during 1987 represent a gain of 900 over a year ago.

In light of these encouraging signs, it is not surprising that the region turned in an exceptionally strong performance with respect to employment and unemployment. The 3.3 percent unemployment rate recorded by the region in 1987 is the second lowest among all metro areas in Pennsylvania and represents a decline of 1.4 percentage points from 1986 readings. Contributing to this drop was a rise in employment totalling 10,900, leaving the number of residents counted as employed at a record high 299,100. In percentage terms, last year's employment gain, at 3.8 percent, was the strongest in the State. In addition to lowering unemployment, these solid employment gains also helped absorb a strong 2.2 percent increase in the labor force.

Lancaster

The news on the economic front remained encouraging in Lancaster County during 1987 as solid gains were reported. This rather glowing overview is certainly backed up by trends in employment and unemployment. At 2.7 percent, down from 3.4 percent in 1986, the region continued to maintain

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	305.1	121	120	114
Unemployed, no. of residents	9.5	70	65	74
Rate, seasonally adjusted	3.4			
Civilian labor force, no. of residents	314.6	118	117	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	298.0	120	119	117
Nonmfg. only, no. of jobs	245.6	127	126	123
Mfg. only, no. of jobs	52.4	96	95	93
Hrs. worked by production workers in mfg., *ave. weekly*	40.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	94	86	71
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	218.0	– 6		
Nonresidential contracts only	288.0	+96		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

the lowest jobless rate in the State. What is especially impressive is that the region continues to be able to reduce unemployment while the labor force continues to expand. Specifically, employment expanded by 6,500, a gain strong enough to absorb a net inflow into the labor force totalling 5,100 and reduce the number of unemployed by 1,400. Both employment and the labor force stood at record highs last year.

Similar good news is found in examining trends in nonagricultural jobs. A 4.3 percent gain in total nonfarm jobs left this measure of economic health at a record high 180,000. This gain was the second highest among the State's 15 metro areas and was fueled by improvements in both the manufacturing and nonmanufacturing sectors. The 5.5 percent gain in nonmanufacturing jobs was the strongest in the Commonwealth and translates into an absolute advance of 6,300 positions. Trade and services, the two largest industries in the region, accounted for 2,100 and 2,000 of those new jobs, respectively. Also making a contribution was construction as job levels rose by 1,300 to 10,500. A large portion of the growth in new building activity appears to have been on the nonresidential side where contract values increased by more than one-fourth. Residential contract values held relatively steady.

Following 1987's 1.7 percent advance, the number of positions in Lancaster County manufacturing establishments has now risen in two consecutive years. This is quite impressive in light of the difficulties experienced in the State as a whole. In rising by 1,000, manufacturing job totals are at their highest level since 1979, 59,700. The two largest manufacturing industries, fabricated metals and printing and publishing, each realized job gains over the course of the year.

If trends transpire nationally as expected, this nice showing on the part of manufacturing is likely to continue. At the same time, should consumer spending slow as expected, the very strong performance in the service-producing industries is not likely to be repeated to the same degree. Still, barring a national recession, 1988 should turn out to be another year of solid economic gains in Lancaster County.

Lancaster Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	211.9	134	133	128
Unemployed, no. of residents	5.9	80	73	71
Rate, seasonally adjusted	3.1			
Civilian labor force, no. of residents	217.8	132	130	125
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	184.0	129	128	124
Nonmfg. only, no. of jobs	124.2	145	143	137
Mfg. only, no. of jobs	59.3	104	106	105
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	102	101	102
Industrial electric power sales	***	139	140	133
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	226.2	– 4		
Nonresidential contracts only	77.6	+26		

[1]Lancaster County

Philadelphia

Economic activity continued to expand during 1987 in the eight-county Philadelphia area as nearly all indicators suggest that growth in the region outpaced Statewide trends, a trend typical of all metro areas in the southeastern portion of the Commonwealth. For example, a 2.2 percent gain in resident employment, to 2.29 million, is rather impressive in light of the 1.4 percent gain for all of Pennsylvania. This gain of 49,600 left employment at a record high for the fourth consecutive year and helped absorb a solid gain of 36,000 in the labor force and reduce the number of unemployed by 13,700. This 1.5 percent gain in the labor force is quite encouraging alongside a minimal 0.1 percent advance in the Commonwealth.

All told, the region showed a decline in the unemployment rate from 5.2 percent in 1986 to 4.6 percent in 1987, the lowest it has been in more than 15 years. Statewide, the jobless rate came in at 5.7 percent.

The solid picture on the employment front was fueled by job gains in the nonmanufacturing sector where a 4 percent advance generated 69,200 jobs compared to a 3.5 percent gain throughout the State. Not surprisingly, the service-

Philadelphia Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	2,349.6	124	122	119
Unemployed, no. of residents	102.2	63	62	62
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	2,451.8	118	117	114
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,209.5	120	119	116
Nonmfg. only, no. of jobs	1,827.0	131	130	126
Mfg. only, no. of jobs	382.6	86	85	85
Hrs. worked by production workers in mfg., *ave. weekly*	40.9	102	102	102
Industrial electric power sales	***	111	107	100
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	1,935.4	+17		
Nonresidential contracts only	2,325.7	+88		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	167.5	122	120	117
Unemployed, no. of residents	6.2	85	78	93
Rate, seasonally adjusted	4.5			
Civilian labor force, no. of residents	173.7	119	117	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	152.9	114	113	110
Nonmfg. only, no. of jobs	102.8	126	124	121
Mfg. only, no. of jobs	50.0	96	95	94
Hrs. worked by production workers in mfg., *ave. weekly*	41.9	106	105	105
Industrial electric power sales	***	139	136	130
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	115.1	-10		
Nonresidential contracts only	54.0	-10		

[1]Berks County

producing industries, with 58,700 new jobs, and construction, with 10,500 new positions on payroll, led the way. Within the service-producing category, the region's largest nonmanufacturing industries, services and trade, accounted for 28,900 and 20,000 of the new jobs, respectively.

Trends in the value of contracts awarded also point to an impressive showing on the part of construction. Nonresidential contracts were up 88 percent in value last year over 1986 readings while residential contracts were valued 17 percent higher, although the number of new housing units authorized by permit was down from year-ago levels, at least through the first nine months of the year.

Perhaps the only real cause for concern in 1987 was the continuing difficulties faced by the region's manufacturers as another 4,500 jobs were lost over the course of the year. In percentage terms, the 1.2 percent drop is slightly larger than the 1 percent decline recorded by the entire State. On a slightly more positive note, this does represent some improvement over 1986's 2.7 percent drop and the loss of factory jobs over the course of the current business cycle has been much less pronounced in the Philadelphia region than in the State as a whole. A fairly high average factory workweek and a 4.7 percent advance in electricity sales to industry may also be interpreted rather positively.

It is quite likely that manufacturing's fortunes in the metro area may improve further in 1988 in response to a general nationwide trend. Even if the growth in overall economic activity slows somewhat as a result of a slowdown in consumer spending, the strength in the goods-producing sector should enable the economy to move ahead, following nationwide patterns.

Reading

The Berks County regional economy turned in a solid performance on just about all fronts in 1987 as job gains were recorded across a broad spectrum of industries. Even manufacturing played a role as job levels advanced 1 percent after two straight years of decline. This gain of 500 positions left the number of jobs in the region's manufacturing establishments at 48,700. Still, this represents a considerable shortfall relative to pre-recessionary readings. Both durable and nondurable goods industries contributed to last year's gains.

This rather encouraging news is backed up further by a strong 5.6 percent increase in electricity sales to industry in 1987, a fairly reliable barometer of production trends. Additionally, a relatively high 41.1-hour average factory workweek suggests that hiring activity may even improve further in 1988.

Nonmanufacturing, however, continued to provide the bulk of all new jobs in the region as 4,200 positions were added between 1986 and 1987 for a 4.4 percent gain, the strongest increase in more than a decade. This compares quite favorably with the Commonwealth's 3.5 percent advance. Industries in the service-producing sector accounted for 3,600 of the Reading area's new nonmanufacturing jobs in 1987. The rest were accounted for by construction as building activity apparently remained at a fairly healthy pace despite a 10 percent decline in the value of both residential and nonresidential contract awards. The number of new housing units authorized by permit during the first nine months of the year was up from the same period a year ago.

Given the overall solid performance in the economy, last year's 2 percentage point drop in the jobless rate is not especially surprising. At 4.4 percent, the unemployment rate was at its lowest level since 1974. Furthermore, a 2.3 percent gain in resident employment left this measure of economic health at a record high 162,100. Statewide, the employment advance amounted to just 1.4 percent.

As is the case throughout the State, our forecast for 1988 is for a continuation of positive growth in the region, but some slowing cannot be ruled out in light of an expected slowdown at the national level. Also, worries of a labor shortage have emerged throughout southeastern Pennsylvania. Should such a shortage materialize, it would act to limit overall economic growth.

York

A solid showing on the part of all of southeastern Pennsylvania during 1987 is rounded out by a strong growth picture in the two-county York metropolitan area. Again, it is

York Area[1]

	Ave. mo. value 4 Q '87	Average monthly index seas. adj. (1977 = 100) 4 Q '87	3 Q '87	4 Q '86
Employment *(in thousands)*				
Employed, no. of residents	205.9	132	131	126
Unemployed, no. of residents	7.0	86	78	94
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	212.9	130	128	124
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	173.5	121	119	117
Nonmfg. only, no. of jobs	113.5	137	135	131
Mfg. only, no. of jobs	60.0	100	98	96
Hrs. worked by production workers in mfg., *ave. weekly*	43.2	104	104	101
Industrial electric power sales	***	119	119	113
Construction contracts awarded *(in millions of dollars)*	'87 Ytd (Jan-Dec)	Pct Change From Year-Ago Ytd		
Residential contracts only	162.1	+15		
Nonresidential contracts only	106.4	+55		

[1]Adams and York Counties

apparent that when both manufacturing and nonmanufacturing contribute to overall growth, the results are encouraging. Although not especially large, manufacturing's 0.5 percent job gain in 1987 was only the second advance in this decade. All told, there were 58,100 factory jobs last year, up 300 from 1986. All of the gain occurred in the nondurable goods sector where 700 new jobs were generated. The region's largest nondurable goods industries, food products and printing and publishing, added 100 and 200 jobs, respectively. A 4.2 percent gain in industrial power sales suggests that production was up while a 42.6-hour average factory workweek, the highest in the State, should help prop up hiring activity in 1988.

While manufacturing appears to just be regaining some of its health, nonmanufacturing continued to add jobs to the local economy as it has done every year since 1983. The 110,800 positions maintained in these establishments represent another record high as jobs grew 4.1 percent or by 4,400 in 1987. This compares quite nicely with the 3.5 percent gain recorded by the Commonwealth. Trade and services, the region's two largest industries, accounted for 700 and 2,300 of these new jobs, respectively.

In addition to these solid gains on the part of service-producing industries, construction also added 800 new jobs as activity strengthened. Nonresidential contract values rose 55 percent to $106.4 million while residential contracts, at $162.1 million, were up 15 percent from 1986 levels.

At 3.9 percent, the area's unemployment rate was down from 5.3 percent in 1986 and was the third lowest among the State's 15 metropolitan regions as resident employment rose to a record high of just under 200,000. For the year, employment was up by 4,100. This gain was strong enough to absorb an increase of 1,300 in the labor force and reduce the number of unemployed by 2,900.

Although some slowing in growth is expected for 1988 as a result of national trends, there appears to be little chance that the region's economy will slump significantly. In fact, even more balanced growth is expected in the future as manufacturing activity continues to advance. However, it is doubtful that job levels in these industries will do anything more than drift upward. It is quite unlikely that all of the factory jobs lost in recent years will ever be recovered.

— *William D. Anderson*

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March 1988

GOOD NEWS CONTINUES

The Pennsylvania economy's strong showing during 1987's second half which was highlighted several times in last month's *PBS* appears to have continued into the first month of 1988 as gains were recorded on just about all fronts. Perhaps **the best news is found in the Commonwealth's manufacturing establishments** as job levels rose by a seasonally adjusted 6,000 to 1.06 million, the highest reading in nearly two years. Still, before adjusting for seasonality, the number of factory jobs actually fell by 5,000. However, in that January normally brings with it a loss of about 11,000 jobs, the seasonally adjusted gain resulted. Of special importance is the fact that the recent gains recorded by this sector appear to be rather widespread. In fact, of the twenty major manufacturing industries (two-digit SIC groupings), 16 turned in job gains over the January 1987-January 1988 period.

Other indicators of manufacturing's health also suggested that these industries are on the upswing. Although there was little change from December readings, the trend in the average factory workweek, total hours worked, payrolls, and electricity sales to industry has certainly been up over the past several months.

Still, problems remain in these industries. For instance, although Pennsylvania's steel companies are turning in stronger and stronger performances, the Commonwealth's share of U.S. steel output is only about one-half of what it was only two decades ago (see chart).

Although gains continue to be recorded, **the growth in the nonmanufacturing sector appears to be slowing somewhat.** All told, only 3,000 new jobs were created in these industries during January, leaving the number of positions in these establishments at a seasonally adjusted 3.93 million. The seasonal declines in many industries, especially construction and retail trade, were evident again this past January as cold weather and post-Christmas layoffs pushed job levels down considerably in these industries before adjustment for seasonality. Still, their performances were, for the most part, no better or no worse than normal.

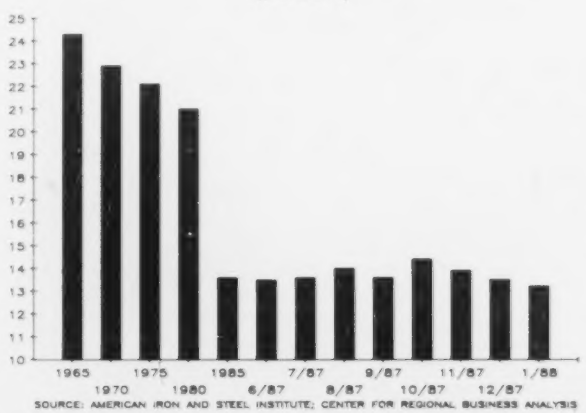
It is quite likely that as the year unfolds, we will continue to see these same types of trends in Pennsylvania's nonfarm industries. **Both manufacturing and nonmanufacturing are expected to grow at moderate paces. While this represents a considerable improvement for the State's factories, such a trend implies some slowing in nonmanufacturing, and especially service-producing, growth.**

There was some slowing in construction activity during January, at least based upon the value of contracts awarded, even after normal seasonal downturns are discounted. For the month, awards totalled a seasonally adjusted $918.1 million, off from $965.5 million in December. Contract awards were off by about $75 million from year ago readings. In fact, in two of the three broad categories, residential and nonresidential buildings, year-to-year declines were recorded. Such a trend certainly merits monitoring in coming months.

Total resident employment rose in January to a record high of just under 5.5 million, seasonally adjusted. **Although comparisons with December show little change with respect to both employment and unemployment, year-over-year comparisons show substantial improvement.** For instance, there were 237,000 more Pennsylvanians counted as employed this past January than in the first month of 1987.

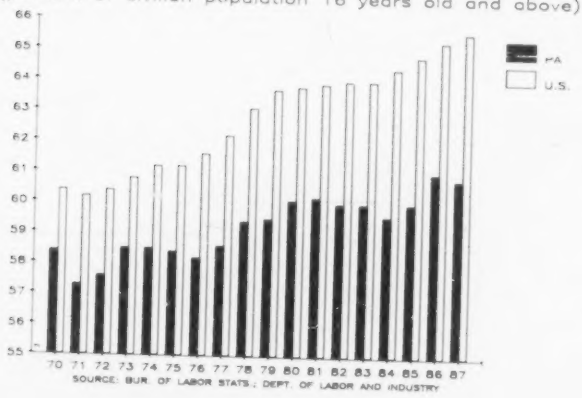
As an aside, some attention needs to be given to the recent behavior in the labor force and its possible impacts on employment growth and labor force participation rates. Several times in the past the *Survey* has pointed out that employment growth in the Commonwealth has tended to lag national gains. Although a strong case can be made showing that some of this shortfall is due to relatively sluggish overall economic growth in the State, some of the discrepency is also probably due to slow growth in the labor force. If fewer and fewer potential workers are entering the labor force, it comes as no surprise that employment growth will be somewhat less than impressive.

PA'S SHARE OF U.S. STEEL PRODUCTION
(percent)



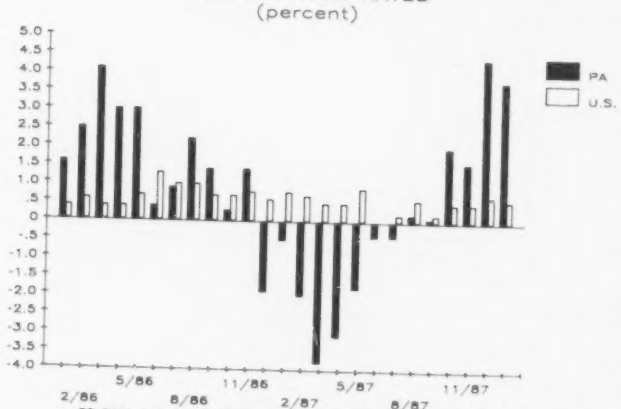
SOURCE: AMERICAN IRON AND STEEL INSTITUTE; CENTER FOR REGIONAL BUSINESS ANALYSIS

PA AND U.S. LABOR FORCE PARTICIPATION RATES
(percent of civilian population 16 years old and above)



SOURCE: BUR. OF LABOR STATS.; DEPT. OF LABOR AND INDUSTRY

GROWTH IN PA AND U.S. LABOR FORCE PARTICIPATION RATES
(percent)



SOURCE: BUR. OF LABOR STATS.; DEPT. OF LABOR AND INDUSTRY

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1987-88		1987	1987-88		1987	1987-88		1987
	Dec.	*Jan.*	*Jan.*	*Dec.*	*Jan.*	*Jan.*	*Dec.*	*Jan.*	*Jan.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,018	4,903	4,769	4,981	4,990	4,849	109.1	109.3	106.2
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,965	3,854	3,736	3,930	3,933	3,814	121.9	122.0	118.3
Mining	30	30	31	31	31	33	65.0	64.4	67.7
Contract construction	223	201	191	228	226	216	124.0	122.8	117.6
Transportation	145	140	137	142	143	140	88.2	88.7	87.3
Public Utilities	105	105	103	105	105	103	104.3	103.8	102.2
Wholesale trade	265	265	258	265	267	261	119.7	120.6	117.5
Retail trade	903	860	832	873	874	846	121.7	121.8	118.0
Finance, insurance & real estate	292	291	286	293	295	289	134.6	135.4	132.7
Service & miscellaneous	1,300	1,279	1,225	1,302	1,301	1,247	150.9	150.8	144.6
Federal government	145	143	138	145	144	139	113.0	112.2	108.3
State & local government	556	541	534	547	549	542	93.8	94.2	93.0
Manufacturing									
No. of wage and salary jobs (thous.)	1,052	1,047	1,024	1,051	1,057	1,035	78.3	78.8	77.1
Durable goods	600	597	578	599	603	584	74.0	74.5	72.1
Nondurable goods	452	450	447	452	454	451	84.8	85.3	84.7
Ave. wkly. hrs. worked by prod. workers	41.8	40.9	40.6	41.2	41.1	40.8	104.2	104.0	103.2
Total wkly. person-hours worked (mils.)	30.0	29.2	28.0	29.6	29.6	28.5	77.1	77.2	74.2
Total wkly. payroll (mil. dols.)	305.9	296.1	276.1	299.7	300.1	280.1	133.4	133.6	124.7
Steel production (thous. tons)	1,068	1,110	598	n.a.	n.a.	n.a.	62.0	54.3	29.2
Industrial electric power sales (mil. kwh)	3,720	3,718	3,364	3,831	3,778	3,434	103.7	102.3	93.0
Mining									
Anthracite coal (thous. net tons)	310	274	256	292	335	307	59.8	68.5	62.8
Bituminous coal (thous. net tons)	5,868	n.a.	4,222†	5,877	n.a.	4,089†	83.3	n.a.	58.0†
Construction contracts awarded (mil. dols.)									
Total	817.0	562.0	638.1*	965.5	918.1	1040.1*	300.1	285.4	323.3*
Residential building	306.2	269.2	331.2*	384.0	538.8	637.3*	272.8	382.8	452.8*
Nonresidential building	419.2	186.1	208.4*	472.3	234.5	260.9*	435.3	216.2	240.5*
Nonbuilding (utilities and public works)	91.6	106.6	98.5*	109.2	144.8	141.9*	150.7	199.8	195.7*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,459	5,372	5,135	5,463	5,489	5,254	113.7	114.2	109.3
Unemployed									
No. of persons (thous.)	293	356	359	323	327	333	80.5	81.4	82.9
Rate (percentage of labor force)	5.1	6.2	6.5						
Rate, seasonally adjusted				5.6	5.7	6.0			
Civilian labor force, no. of persons (thous.)	5,752	5,728	5,494	5,786	5,816	5,586	111.1	111.7	107.3
Initial claims for unemployment benefits	133,414	143,595	162,578	92,021	94,272	105,021	64.3	65.8	73.4

Consumer Prices, all items	Urban Indexes (1967 = 100)			Percentage Change	
	1987-88		1987	*Month Ago*	*Year Ago*
	Dec.	*Jan.*	*Jan.*		
U.S. city average	345.7	346.7	333.1	+0.3	+4.1
Philadelphia	343.5	344.6	327.7	+0.3	+5.2
Pittsburgh	344.9	n.a.	333.0†	n.a.	+3.6

[1] Total includes workers on strike. * = figure revised † = figure for December 1986 n.a. = data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

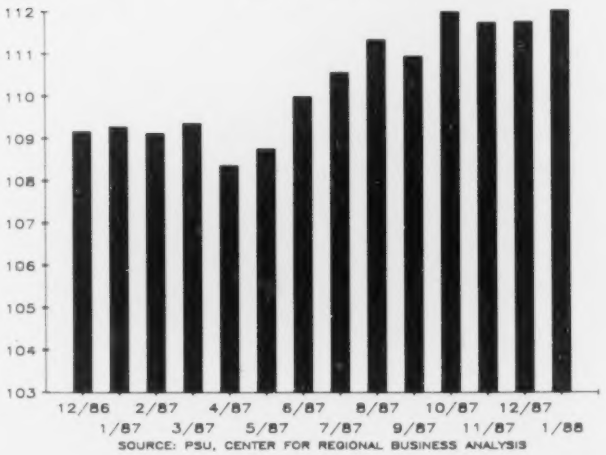
A major question revolves around why Pennsylvania's labor force has not been growing as fast as the nation's. As shown in the accompanying chart, the portion of Pennsylvania's population 16 years of age and older which is in the labor force has historically lagged comparable national readings, suggesting that relatively more Pennsylvanians, for whatever reasons, were withholding their services from the labor market. Such a trend would be a major cause for concern. However, some of Pennsylvania's shortfall with respect to labor force participation rates is certainly due to the fact that the State is home to a relatively large number of elderly citizens who are counted as being in the population but, for obvious reasons, are not working or looking for work. Similarly, birth rates in Pennsylvania have slowed considerably and lag national norms. Hence, new entrants into the labor force are relatively smaller in Pennsylvania than in the U.S., further reducing our participation rates. However, it may be that there are relatively fewer new entries and reentries into the labor pool in the State because of the weak underlying economy alluded to earlier. Some Pennsylvanians may feel that suitable job opportunities simply do not exist. On a brighter note, as shown in the accompnying chart, the growth in the Commonwealth's labor force participation rate surpassed national averages throughout 1986 and after a downturn in early 1987, is outperforming the U.S. again, implying that the discrepency between the State and the nation is narrowing.

The true reasons behind Pennsylvania's lagging performance with respect to labor force growth and the related labor force participation rates require careful study utilizing several different approaches encompassing, to name a few, economic, sociological, and demographic research techniques. Suffice it so say that in the absence of such a study, a strong case may be made for any number of possibilities.

Recent trends in Pennsylvania's economy are illustrated nicely in the index of coincident indicators which has been rising, albeit unevenly, over the past several months suggesting that the economy is certainly in, at the least, a modest up-phase. Furthermore, the index of leading indicators suggests that more of the same is in store for the future as the general trend has been essentially up with a few plateaus along the way.

— William D. Anderson

PENNSYLVANIA COMPOSITE INDEX OF LEADING INDICATORS
(Jan 1972=100)



SOURCE: PSU, CENTER FOR REGIONAL BUSINESS ANALYSIS

Pennsylvania housing units authorized in permit issuing places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IVQ	13,317	10.8	10,766	4.8
1987:IIIQ	16,299	-8.8	14,162	0.0
1987 YTD	58,165	8.8	49,482	12.5

Source: U.S. Dept. of Commerce, Bureau of the Census

Value of Pennsylvania housing units authorized in permit issuing places (thousands of dollars)

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1987:IVQ	900,366	28.0	793,184	22.5
1987:IIIQ	1,055,240	7.9	975,956	14.4
1987 YTD	3,817,696	27.5	3,478,514	29.4

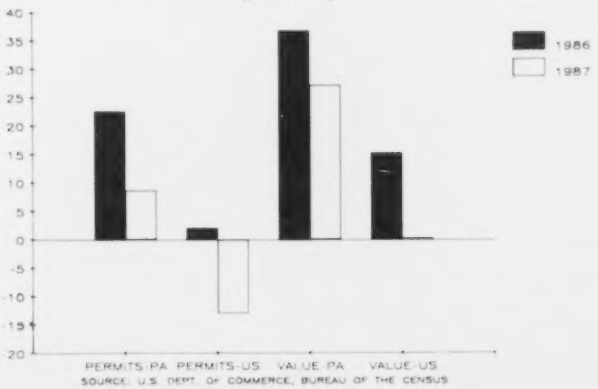
Source: U.S. Dept. of Commerce, Bureau of the Census

Housing Permits Report

Housing activity continued to expand in Pennsylvania during 1987, albeit at a slower pace than in the previous year. If the nation's economy slows as expected in 1988, the growth in housing activity will probably decline further and starts may even fall slightly. However, as long as the overall economy continues to expand, even only slightly, it is doubtful that any such drop will be significant. On the plus side, there is the possibility of mortgage rate declines should the Federal Reserve loosen credit conditions, as some expect they will, to keep the economy afloat. Such a development would obviously be a source of strength to the housing industry in the Commonwealth and the nation as a whole.

All told, the number of housing units authorized by permits rose 8.8 percent last year to 58,165. Although this represents a fall-off from 1986's 22.7 percent advance, it still outpaced the nation's 13 percent drop. All of 1987's gain in Pennsylvania was accounted for by single-family homes where the number of permit authorizations, a very good indicator of housing starts, rose by 12.5 percent compared to a drop of 8.3 percent in the multi-family sector. Essentially

CHANGE IN PA AND U.S. HOUSING PERMITS AUTHORIZED AND THEIR VALUE, 1986 AND 1987
(percent)



SOURCE: U.S. DEPT. OF COMMERCE, BUREAU OF THE CENSUS

the same trends are evident in examining the value of housing permits in Pennsylvania. Growth in valuations did slow but still held up well relative to national developments. The average housing permit value rose 17 percent in the Commonwealth last year, suggesting further upward pressure on home prices.

Personal Income Report

Recent indications suggest that the growth in Pennsylvania personal income appears to be more in line with national trends after falling short of U.S. gains for the past several years. This complements other trends which suggest that overall economic growth in the Commonwealth has been on par with national growth as of late. Specfically, recently released information pertaining to 1987's third quarter shows that personal income came in at $180.6 billion in Pennsylvania for a gain of 1.7 percent from the previous quarter and 5.8 percent from the year-ago period. This falls very much in line with national gains totalling 1.4 and 5.9 percent. In terms of nonfarm personal income, which is perhaps a bit more reliable than total personal income, the same general trend emerges.

Pennsylvania personal income
(seas. adj. ann. rates; millions of dollars)

	Personal income	Pct. change Qt. ago	Pct. change Yr. ago	Nonfarm personal income	Pct. change Qt. ago	Pct. change Yr. ago
1987:IIIQ	180,611	1.7	5.8	179,308	1.8	5.8
1987:IIQ	177,605	1.6	5.4	176,167	1.5	5.2
1987 YTD	177,655	n.a.	5.4	176,350	n.a.	5.3

Source: U.S. Dept. of Commerce, Bur. of Econ. Analysis

However, there do appear to be problems with respect to "real" or inflation-adjusted gains. Although real total personal income continues to advance in Pennsylvania, these gains fall somewhat short of the nation's increases. A more telling indicator revolves around trends in per-worker earnings which are struggling to keep up with price gains at both the State and national levels. In fact, real per-worker earnings have declined in each of the past two quarters after rising nonstop since mid-1983 in Pennsylvania. Such a trend leaves workers worse off despite nominal gains in earnings as buying power is reduced.

However, for the most part, the news appears to be fairly encouraging in Pennsylvania and future reports should show continued improvement, especially in relative terms, as the economy closed out 1987 on a high note in the Commonwealth and is expected to perform nicely in 1988 barring a recession at the national level.

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